

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of the Village of Clarkston	County Oakland
Fiscal Year End June 30, 2006	Opinion Date August 15, 2006	Date Audit Report Submitted to State October 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

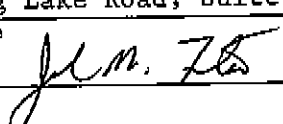
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.		Telephone Number (248) 646-9666	
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State Zip MI 48304-2377
Authorizing CPA Signature 		Printed Name John M. Foster	License Number 1101016537

CITY OF THE VILLAGE OF CLARKSTON
OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts

June 30, 2006

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

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JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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50
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of the Village of Clarkston
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of the Village of Clarkston, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of the Village of Clarkston, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

August 15, 2006

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of the Village of Clarkston's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$3,474,614 at the close of the year ended June 30, 2006. This represents a decrease of \$25,252 or a 0.7% decrease from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets decreased \$7,701. This decrease was primarily the result of assets being capitalized that have been expensed as depreciation over their useful lives. The business-type activity had a decrease of \$17,551 in net assets. A large part of this decrease was from depreciation of sewer capital assets.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2006 and 2005:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current and other assets	\$ 1,860,516	\$ 1,885,066	\$ 137,352	\$ 139,510	\$1,997,868	\$2,024,576
Capital assets	<u>5,727,881</u>	<u>5,969,392</u>	<u>252,235</u>	<u>281,986</u>	<u>5,980,116</u>	<u>6,251,378</u>
Total assets	<u>\$ 7,588,397</u>	<u>\$ 7,854,458</u>	<u>\$ 389,587</u>	<u>\$ 421,496</u>	<u>\$7,977,984</u>	<u>\$8,275,954</u>
LIABILITIES AND NET ASSETS						
Current and other liabilities	\$ 260,429	\$ 281,749	\$ (77,319)	\$ (62,961)	\$ 183,110	\$ 218,788
Long term debt outstanding	<u>4,320,260</u>	<u>4,557,300</u>			<u>4,320,260</u>	<u>4,557,300</u>
Total liabilities	\$ 4,580,689	\$ 4,839,049	\$ (77,319)	\$ (62,961)	\$4,503,370	\$4,776,088
Net assets:						
Invested in capital assets, net of related debt	1,407,621	1,412,092	252,235	281,986	1,659,856	1,694,078
Restricted	1,543,012	1,603,289			1,543,012	1,603,289
Unrestricted	<u>57,075</u>	<u>28</u>	<u>214,671</u>	<u>202,471</u>	<u>271,746</u>	<u>202,499</u>
Total net assets	<u>\$ 3,007,708</u>	<u>\$ 3,015,409</u>	<u>\$ 466,906</u>	<u>\$ 484,457</u>	<u>\$3,474,614</u>	<u>\$3,499,866</u>
Total liabilities and net assets	<u>\$ 7,588,397</u>	<u>\$ 7,854,458</u>	<u>\$ 389,587</u>	<u>\$ 421,496</u>	<u>\$7,977,984</u>	<u>\$8,275,954</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2006

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled \$1,543,012. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2006 and 2005:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenue:						
Charges for services	\$ 83,554	\$ 131,398	\$ 107,429	\$ 101,656	\$ 190,983	\$ 233,054
Operating grants and contributions	60,704	66,498			60,704	66,498
Capital grants and contributions	117,021	4,999			117,021	4,999
General revenue:						
Property taxes	811,184	770,388			811,184	770,388
State shared revenue	83,644	84,583			83,644	84,583
Interest income	87,250	84,838	4,128	2,825	91,378	87,663
Franchise fees	10,349	10,061			10,349	10,061
Miscellaneous	3,519	14,280			3,519	14,280
Total revenue	\$ 1,257,225	\$ 1,167,045	\$ 111,557	\$ 104,481	\$1,368,782	\$1,271,526
Program expenses:						
General government	202,923	209,314			202,923	209,314
Public safety	425,354	439,102			425,354	439,102
Public works	382,443	418,127			382,443	418,127
Community and economic development	3,322	976			3,322	976
Recreation and culture	42,478	45,648			42,478	45,648
Interest on long term debt	208,406	218,095			208,406	218,095
Sewer			129,108	123,678	129,108	123,678
Total program expenses	\$ 1,264,926	\$ 1,331,262	\$ 129,108	\$ 123,678	\$1,394,034	\$1,454,940
Increase (decrease) in net assets	\$ (7,701)	\$ (164,217)	\$ (17,551)	\$ (19,197)	\$ (25,252)	\$ (183,414)
Net assets - beginning of year	3,015,409	3,179,626	484,457	503,654	3,499,866	3,683,280
Net assets - end of year	\$ 3,007,708	\$ 3,015,409	\$ 466,906	\$ 484,457	\$3,474,614	\$3,499,866

As shown in the above table total revenues were approximately \$1.37 million, of which 59% was obtained from property taxes, 14% for fees charged for services and 6% for state shared revenues. Total expenses were approximately \$1.39 million, of which 30% was for public safety, 27% for public works and 9% for sewer.

Business Type Activities

The City's business-type activity consists of the Sewer Fund. The City provides sewer service to the entire City.

The City Funds

The analysis of the City's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2006 include the General Fund, Major Road Fund, Local Road Fund, Water Debt Fund, SAD 1, 2 and 4 2002 Bond Retirement Fund and SAD 3 2003 Bond Retirement Fund.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2006

The City Funds (continued)

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$791,300. Of this revenue, 76% was from property taxes, and 11% was from state shared revenues. Total expenditures for the year were approximately \$760,800. Of these expenditures, 51% was for public safety, 7% was for public works, and 24% was for general government. At June 30, 2006 the unreserved fund balance of \$57,075 represented 8% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2006 was \$25.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2006 was \$29.

The Water Debt Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2006 was \$43,649.

The SAD 1, 2 and 4 2002 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2006 was \$222,509.

The SAD 3 2003 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2006 was \$196,717.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Building permit revenue and related expenditures were amended to reflect decreased activity during the year. Community Development Block Grant revenue and expenditures were amended to reflect reduced activity. Fines and forfeitures revenue was amended to reflect reduced collections. Police charges and interest earnings were amended to reflect additional collections. City Hall wages, election supplies, building and equipment maintenance, audit, police wages, vehicle maintenance, and sub-watershed were amended to reflect additional costs. Police legal and tree trimming were amended to reflect less than anticipated costs.

Capital outlay expenditures were \$14,365 above budgeted amounts. This was primarily the result of the City receiving election equipment from the State of Michigan at a cost of \$12,317. There is also an offsetting revenue to eliminate this deficit. Most other departments were in line with budgeted amounts. Actual revenues exceeded budgeted amount by \$18,143.

Capital Asset and Debt Administration

At the end of June 30, 2006, the City had \$5,980,116 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Copier - \$2,850
2. Election equipment - \$12,317.

Long-Term Debt

The City's total indebtedness at June 30, 2006 was \$4,320,260. During the year the City borrowed \$2,850 to finance the purchase of a copier. The City maintains an "AA" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2006

Economic Factors and Next Year's Budgets and Rates

The City's 2007 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2007 are as follows:

	2007 Mills <u>Levied</u>	2006 Mills <u>Levied</u>
General operations	13.1979	13.3232
Debt service	4.5004	4.6727

Property tax revenues are expected to increase slightly. This is the result of expected increases in taxable value within the City. Other revenues are expected to be consistent with the prior year amounts.

Expenditures

The City expects elections, general services, sub-watershed expenses and library expenses to be lower than the prior year due to contract negotiations.

The City expects planning to be higher due to updating the master plan.

The 2007 budget also includes a new line item for health insurance.

The 2007 General Fund budget expects a surplus of approximately \$19,400. The projected unreserved General Fund's fund balance at June 30, 2007 is approximately \$76,500 which represents approximately 10% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of the Village of Clarkston, 375 Depot Road, Clarkston, Michigan 48346.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 665,000	\$ 112,667	\$ 777,667
Receivables:			
Taxes	7,681		7,681
Customers		16,605	16,605
Special assessments	1,036,118	8,080	1,044,198
Agency funds	1,011		1,011
Other	14,068		14,068
Due from other governments	136,638		136,638
Capital assets, net	5,727,881	252,235	5,980,116
Total assets	\$ 7,588,397	\$ 389,587	\$ 7,977,984
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and other liabilities	\$ 14,085	\$ 2,206	\$ 16,291
Deposits	5,146		5,146
Accrued interest	54,000		54,000
Internal balances	79,525	(79,525)	-
Due to other governments	107,673		107,673
Noncurrent liabilities:			
Due within one year	250,495		250,495
Due in more than one year	4,069,765		4,069,765
Total liabilities	\$ 4,580,689	\$ (77,319)	\$ 4,503,370
Net assets:			
Invested in capital assets, net of related debt	1,407,621	252,235	1,659,856
Restricted for:			
Major and local roads	54		54
Debt service	1,464,800		1,464,800
Capital project	40,285		40,285
Mill Pond Lake Improvement	28,376		28,376
Building code enforcement	9,497		9,497
Unrestricted	57,075	214,671	271,746
Total net assets	\$ 3,007,708	\$ 466,906	\$ 3,474,614
Total liabilities and net assets	\$ 7,588,397	\$ 389,587	\$ 7,977,984

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 202,923	\$ 2,648	\$ 1,290	\$ 12,317
Public safety.	425,354	40,932	703	
Public works	382,443	36,374	58,711	104,704
Community and economic development	3,322			
Recreation and culture	42,478	3,600		
Interest on long term debt	208,406			
Total governmental activities.	\$ 1,264,926	\$ 83,554	\$ 60,704	\$ 117,021
Business-type activity:				
Sewer.	129,108	107,429		
Total primary government	\$ 1,394,034	\$ 190,983	\$ 60,704	\$ 117,021

General revenues:

Property taxes
State shared revenues
Unrestricted investment income
Franchise fees
Miscellaneous

Total general revenues and special items

Changes in net assets

Net assets - July 1, 2005

Net assets - June 30, 2006

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes In Net Assets

Governmental Activities	Business-type Activity	Total
\$ (186,668)	\$ -	\$ (186,668)
(383,719)		(383,719)
(182,654)		(182,654)
(3,322)		(3,322)
(38,878)		(38,878)
(208,406)		(208,406)
<u>\$ (1,003,647)</u>	<u>\$ -</u>	<u>\$ (1,003,647)</u>
	(21,679)	(21,679)
\$ (1,003,647)	\$ (21,679)	\$ (1,025,326)
811,184		811,184
83,644		83,644
87,250	4,128	91,378
10,349		10,349
3,519		3,519
<u>\$ 995,946</u>	<u>\$ 4,128</u>	<u>\$ 1,000,074</u>
\$ (7,701)	\$ (17,551)	\$ (25,252)
<u>3,015,409</u>	<u>484,457</u>	<u>3,499,866</u>
<u>\$ 3,007,708</u>	<u>\$ 466,906</u>	<u>\$ 3,474,614</u>

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

	General	Major Road Fund	Local Road Fund	Water Debt Fund
ASSETS				
Cash and cash equivalents	\$ 84,473	\$ 21,242	\$ 6,441	\$ 43,649
Receivables:				
Taxes	7,681			
Special assessments				224,966
Other	14,068			
Due from other funds	60,484			
Due from other governments	26,739	6,835	2,437	
Total assets	<u>\$ 193,445</u>	<u>\$ 28,077</u>	<u>\$ 8,878</u>	<u>\$ 268,615</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,188	\$	\$	\$
Deposits	5,146			
Deferred revenue				224,966
Due to other funds	1,866	28,052	8,849	
Due to other governments	107,673			
Total liabilities	<u>\$ 126,873</u>	<u>\$ 28,052</u>	<u>\$ 8,849</u>	<u>\$ 224,966</u>
Fund balances:				
Reserved for:				
Debt service				43,649
Building code enforcement	9,497			
Unreserved, reported in:				
General Fund	57,075			
Special Revenue Funds		25	29	
Capital Project Funds				
Total fund balances	<u>\$ 66,572</u>	<u>\$ 25</u>	<u>\$ 29</u>	<u>\$ 43,649</u>
Total liabilities and fund balances	<u>\$ 193,445</u>	<u>\$ 28,077</u>	<u>\$ 8,878</u>	<u>\$ 268,615</u>

The attached notes are an integral part of the financial statements.

SAD 1,2 &4 2002 Bond Retirement Fund	SAD 3 2003 Bond Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 222,509	\$ 196,717	\$ 89,969	\$ 665,000
			7,681
398,947	412,205		1,036,118
			14,068
		2,357	62,841
		100,627	136,638
<u>\$ 621,456</u>	<u>\$ 608,922</u>	<u>\$ 192,953</u>	<u>\$ 1,922,346</u>
\$	\$	\$ 1,897	\$ 14,085
			5,146
398,947	412,205		1,036,118
		102,598	141,355
			107,673
<u>\$ 398,947</u>	<u>\$ 412,205</u>	<u>\$ 104,485</u>	<u>\$ 1,304,377</u>
222,509	196,717	19,807	482,682
			9,497
			57,075
		28,376	28,430
		40,285	40,285
<u>\$ 222,509</u>	<u>\$ 196,717</u>	<u>\$ 88,468</u>	<u>\$ 617,969</u>
<u>\$ 621,456</u>	<u>\$ 608,922</u>	<u>\$ 192,953</u>	<u>\$ 1,922,346</u>

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2006

Total governmental fund balances. \$ 617,969

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$6,524,009	
Less accumulated depreciation	(796,128)	5,727,881

Special assessments are expected to be collected over several
years, and are not available to pay for current year
expenditures.

1,036,118

Long-term liabilities are not due and payable in the current
period and are not reported in the funds including related
accrued interest.

(4,374,260)

Net assets of governmental activities	\$	<u>3,007,708</u>
-------------------------------------------------	----	------------------

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General	Major Road Fund	Local Road Fund	Water Debt Fund
Revenues:				
Taxes	\$ 800,999	\$	\$	\$
Licenses and permits	19,072			
Federal sources	1,290			
State sources	86,907	41,394	14,757	
Local sources	2,648			
Charges for services	40,960			
Fines and forfeitures	15,623			
Interest and rents	7,965	816	268	17,195
Other	15,836			24,911
Total revenues	\$ 791,300	\$ 42,210	\$ 15,025	\$ 42,106
Expenditures:				
Current:				
General government	184,344			
Public safety	391,514			
Public works	55,960	53,089	28,136	
Community and economic development	3,322			
Recreation and culture	37,991			
Other	36,792			
Capital outlay	15,625			
Debt service:				
Principal payments	29,890			30,000
Interest and fiscal charges	5,350			14,754
Total expenditures	\$ 760,788	\$ 53,089	\$ 28,136	\$ 44,754
Excess of revenues over (under) expenditures	\$ 30,512	\$ (10,879)	\$ (13,111)	\$ (2,648)
Other financing sources (uses):				
Proceeds from borrowings	2,850			
Operating transfers in	18,100	10,900	13,100	
Operating transfers out	(24,000)			
Total other financing sources (uses)	\$ (3,050)	\$ 10,900	\$ 13,100	\$ -
Excess of revenues and other sources over (under) expenditures and other uses	\$ 27,462	\$ 21	\$ (11)	\$ (2,648)
Fund balance - July 1, 2005	39,110	4	40	48,297
Fund balance - June 30, 2006	\$ 66,572	\$ 25	\$ 29	\$ 43,649

The attached notes are an integral part of the financial statements.

SAD 1,2 &4 2002 Bond Retirement Fund	SAD 3 2003 Bond Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 210,185	\$ 811,184
			19,072
			1,290
			143,058
			2,648
			40,980
			15,623
31,007	30,291	3,308	90,850
72,064	41,946	119,119	273,876
\$ 103,071	\$ 72,237	\$ 332,612	\$ 1,398,561
			184,344
			391,514
		7,284	144,469
			3,322
			37,991
			36,792
		952	16,577
60,000	60,000	60,000	239,890
24,138	25,235	140,829	209,806
\$ 84,138	\$ 85,235	\$ 208,565	\$ 1,264,705
\$ 18,933	\$ (12,998)	\$ 124,047	\$ 133,856
			2,850
			42,100
		(18,100)	(42,100)
\$ -	\$ -	\$ (18,100)	\$ 2,850
\$ 18,933	\$ (12,998)	\$ 105,947	\$ 136,706
203,576	209,715	(17,479)	481,263
\$ 222,509	\$ 196,717	\$ 88,468	\$ 617,969

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net change in fund balances - total governmental fund. \$ 136,706

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$ 15,167	
Less current year depreciation	<u>(256,678)</u>	(241,511)

Special assessment revenues are recorded in the statement of
activities when the assessment is set; they are not reported
in the funds until collected or collectible within 60 days
of year end. (141,336)

Proceeds from borrowings is not reported as financing sources on
the statement of activities. (2,850)

Accrued interest is recorded in the statement of activities. 1,400

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it
reduces long-term debt). 239,890

Change in net assets of governmental activities.	<u>\$ (7,701)</u>
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

June 30, 2006

Business-type
Activity
Sewer
Fund

ASSETS

Current assets:

Cash and cash equivalents \$ 112,667

Receivables:

Customers 16,605

Special assessments 8,080

Due from other funds 84,346

Total current assets \$ 221,698

Noncurrent assets:

Capital assets, net 252,235Total noncurrent assets \$ 252,235Total assets \$ 473,933

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable \$ 2,206

Due to other funds 4,821

Total current liabilities \$ 7,027

Net assets:

Invested in capital assets 252,235

Unrestricted 214,671Total net assets \$ 466,906Total liabilities and net assets \$ 473,933

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2006

	Business-type Activity
	Sewer Fund
Operating revenue:	
Sewer usage charges	\$ 106,591
Late fees and miscellaneous	838
Total operating revenue	\$ 107,429
Operating expenses:	
Contractual services	92,110
Administrative salaries	3,000
Postage and supplies	515
Insurance	1,425
Miscellaneous	2,307
Depreciation	29,751
Total operating expenses	\$ 129,108
Operating income (loss)	\$ (21,679)
Nonoperating revenues:	
Interest income	4,128
Total nonoperating revenues	\$ 4,128
Change in net assets	\$ (17,551)
Net assets - July 1, 2005	484,457
Net assets - June 30, 2006	\$ 466,906

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2006

	Business-type Activity Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 116,088
Payments to suppliers	(113,122)
Net cash provided by operating activities	\$ 2,966
Cash flows from investing activities:	
Interest income	4,128
Net increase in cash and cash equivalents	\$ 7,094
Cash and cash equivalents - July 1, 2005.	105,573
Cash and cash equivalents - June 30, 2006	\$ 112,667
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (21,679)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	29,751
Changes in assets and liabilities:	
(Increase) decrease in receivables	8,659
(Increase) decrease in prepaids	593
Increase (decrease) in accounts payable	(19,179)
Increase (decrease) in due to other funds	4,821
	\$ (5,106)
Net cash provided by operating activities	\$ 2,966

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,011</u>
Total assets.	<u><u>\$ 1,011</u></u>
LIABILITIES	
Due to other funds.	<u>\$ 1,011</u>
Total liabilities	<u><u>\$ 1,011</u></u>

The attached notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of the Village of Clarkston (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of the Village of Clarkston.

Reporting Entity

The City of the Village of Clarkston is governed by an elected seven-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be account for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Water Debt Fund

The Water Debt fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 1, 2 and 4 2002 Bond Retirement Fund

The SAD 1, 2 and 4 2002 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 3 2003 Bond Retirement Fund

The SAD 3 2003 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds and Trust Funds).

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)Proprietary Fund

The City reports the following major proprietary fund:

Sewer Fund

The Sewer Fund accounts for the operation, maintenance and distribution of the sewage system.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Fund relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Taxes

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The 2005 taxable valuation of the City, assessed as of December 31, 2004, totaled \$44,981,456, and is used for the July 1, 2005 tax bills; this resulted in property tax revenue as follows:

	<u>Mills Levied</u>	<u>Property Taxes</u>
General operations	13.3232	\$599,222
Debt service	4.6727	\$210,185

Assets, Liabilities, and Net Assets or EquityCash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in mutual funds.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furniture, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets. The City has elected not to retroactively report infrastructure assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements	15-30
Sewer System	40
Buildings and Improvements	30-50
Vehicles	6
Machinery and Equipment, Furniture	5-25
Water System	30
Roads	20

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE B - Stewardship, Compliance, and AccountabilityBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of the Village of Clarkston incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Fire protection	\$ 148,570	\$ 152,096	\$ 3,526
General	Building inspector	7,625	12,128	4,503
General	Capital outlay	1,260	15,625	14,365
General	Operating transfers out		24,000	24,000
Major Road	Equipment rental		8,684	8,684
Major Road	Winter maintenance		12,257	12,257
Local Road	Equipment rental		5,509	5,509
Local Road	Winter maintenance		5,067	5,067

The City does not adopt a budget for Mill Pond Lake Improvement Board. The City collects the special assessment and pays the bills authorized by the lake board. Since the City does not initiate the expenditures they have not adopted a budget.

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE C - Deposits and Investments (continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$455,296 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City had no investments.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Building and improvements	\$ 74,204	\$	\$	\$ 74,204
Land improvements	69,068			69,068
Police vehicles	64,946		16,476	48,470
Machinery and equipment	382,263	16,476		398,739
Furniture and fixtures	38,628	15,167		53,795
Roads	1,581,593			1,581,593
Water system	<u>4,278,140</u>			<u>4,278,140</u>
Subtotal	\$6,508,842	\$ 31,643	\$ 16,476	\$6,524,009
Less accumulated depreciation for:				
Building and improvements	39,525	1,509		41,034
Land improvements	69,539	2,386		71,925
Police vehicles	44,219	7,817	16,476	35,560
Machinery and equipment	190,562	35,839		226,401
Furniture and fixtures	29,341	3,918		33,259
Roads	59,310	79,080		138,390
Water system	<u>106,954</u>	<u>142,605</u>		<u>249,559</u>
Subtotal	\$ 539,450	\$ 273,154	\$ 16,476	\$ 796,128
Net capital assets - governmental activities	<u>\$5,969,392</u>	<u>\$ (241,511)</u>	<u>\$</u>	<u>\$5,727,881</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$1,177,272	\$	\$	\$1,177,272
Machinery and equipment	<u>1,595</u>			<u>1,595</u>
Subtotal	\$1,178,867	\$	\$	\$1,178,867
Less accumulated depreciation for:				
Sewer system	896,535	29,432		925,967
Machinery and equipment	<u>346</u>	<u>319</u>		<u>665</u>
Subtotal	\$ 896,881	\$ 29,751	\$	\$ 926,632
Net capital assets - governmental activities	<u>\$ 281,986</u>	<u>\$ (29,751)</u>	<u>\$</u>	<u>\$ 252,235</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 5,787
Public safety	9,840
Public works	236,564
Recreation and culture	<u>4,487</u>
Total governmental activities	<u>\$256,678</u>
Business-type activities:	
Sewer	<u>\$ 29,751</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 28,052
	Local Street Fund	8,849
	2003 Special Assessment	18,242
	Sewer Fund	4,821
	Tax Fund	<u>520</u>
	Total General Fund	\$ 60,484
Debt Service Funds:		
2002A GO Debt Retirement Fund	General Fund	551
2002B GO Debt Retirement Fund	General Fund	1,144
2002C GO Debt Retirement Fund	General Fund	<u>171</u>
	Total Debt Service Funds	\$ 1,866
Capital Project Funds:		
2003 Special Assessment Construction Fund	Agency Fund	491
Enterprise Fund	2003 Special Assessment Construction Fund	<u>84,346</u>
	Total Interfund receivable	<u>\$147,187</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

	<u>Transfers (Out)</u>		
	2003		
	Special		
	Assessment		
	General	Construction	Total
<u>Transfers in</u>	<u>Fund</u>	<u>Fund</u>	
Major Road Fund	\$10,900	\$	\$10,900
Local Road Fund	13,100		13,100
General Fund		18,100	18,100
	<u>\$24,000</u>	<u>\$ 18,100</u>	<u>\$42,100</u>

Transfers from the General Fund to the Major Road and Local Road Funds is to subsidize the cost of road expenditures.

Transfer from the 2003 Special Assessment Construction Fund to the General Fund is to reimburse the General Fund for prior year transfers to pay for construction costs.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE F - Long-Term Debt:

The following is a summary of general long-term debt transactions of the City for the year ended June 30, 2006:

	<u>General Long-Term Debt</u>			
	<u>Total</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Equipment Lease Contract Obligation</u>
Long-term debt at July 1, 2005	\$4,557,300	\$2,830,000	\$1,600,000	\$ 127,300
Long-term debt initiated during the year	2,850			2,850
Payments made during the year	<u>(239,890)</u>	<u>(60,000)</u>	<u>(150,000)</u>	<u>(29,075)</u>
Long-term debt at June 30, 2006	<u>\$4,320,260</u>	<u>\$2,770,000</u>	<u>\$1,450,000</u>	<u>\$ 98,225</u>

General Obligation Bonds:

On July 14, 2000 the City sold \$800,000 Unlimited Tax General Obligation Bonds for the purpose of constructing a water supply system. The bonds bear interest at a rate of 4.75% to 6.00%. Schedule of required principal and interest payments is as follows:

<u>Year ended June 30,</u>	<u>Annual Interest</u>	<u>Annual Principal</u>
2007	\$ 41,415	\$ 20,000
2008	40,390	20,000
2009	39,355	20,000
2010	38,310	20,000
2011	37,255	20,000
2012	36,056	25,000
2013	34,706	25,000
2014	32,776	45,000
2015	30,115	50,000
2016	27,135	55,000
2017	23,555	70,000
2018	19,513	70,000
2019	15,435	70,000
2020	11,175	75,000
2021	6,731	75,000
2022	<u>2,250</u>	<u>75,000</u>
	<u>\$436,172</u>	<u>\$ 735,000</u>

On March 18, 2002 the City sold \$995,000 of 2002 General Obligation Unlimited Tax Bonds, Series A, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

<u>Year ended June 30,</u>	<u>Annual Interest</u>	<u>Annual Principal</u>
2007	\$ 44,270	\$ 15,000
2008	43,265	30,000
2009	42,065	30,000
2010	40,865	30,000
2011	39,556	35,000
2012	38,018	40,000
2013	36,231	45,000
2014	34,175	50,000
2015	31,838	55,000
2016	29,335	55,000
2017	26,660	60,000
2018	23,625	65,000
2019	20,250	70,000
2020	16,750	70,000
2021	13,125	75,000
2022	9,375	75,000
2023	5,625	75,000
2024	<u>1,875</u>	<u>75,000</u>
	<u>\$496,903</u>	<u>\$ 950,000</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE F - Long-Term Debt (continued):

On June 9, 2002 the City sold \$995,000 of 2002 General Obligation Unlimited Tax Bonds, Series B, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

<u>Year ended June 30.</u>	<u>Annual Interest</u>	<u>Annual Principal</u>
2007	\$ 41,835	\$ 30,000
2008	40,635	30,000
2009	39,435	30,000
2010	38,135	35,000
2011	36,709	35,000
2012	35,123	40,000
2013	33,382	40,000
2014	31,490	45,000
2015	29,443	45,000
2016	27,232	50,000
2017	24,845	50,000
2018	22,258	55,000
2019	19,507	55,000
2020	16,633	60,000
2021	13,475	65,000
2022	9,997	70,000
2023	6,209	75,000
2024	2,120	80,000
	<u>\$468,463</u>	<u>\$ 890,000</u>

On October 9, 2002 the City sold \$210,000 of 2002C General Obligation Unlimited Tax Bonds for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.75% to 6.75%. Schedule of required principal and interest payments is as follows:

<u>Year ended June 30.</u>	<u>Annual Interest</u>	<u>Annual Principal</u>
2007	\$ 8,351	\$ 5,000
2008	8,089	5,000
2009	7,901	5,000
2010	7,617	10,000
2011	7,238	10,000
2012	6,852	10,000
2013	6,463	10,000
2014	6,073	10,000
2015	5,678	10,000
2016	5,270	10,000
2017	4,850	10,000
2018	4,420	10,000
2019	3,980	10,000
2020	3,416	15,000
2021	2,726	15,000
2022	2,025	15,000
2023	1,316	15,000
2024	480	20,000
	<u>\$ 92,745</u>	<u>\$ 195,000</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE F - Long-Term Debt (continued):Special Assessment Bonds:

On October 17, 2000 the City sold \$400,000 Special Assessments Limited Tax Bonds for the construction of water improvements. The bonds bear interest at a rate of 4.60% to 7.60%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30.</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 13,040	\$ 30,000
2008	11,623	30,000
2009	10,190	30,000
2010	8,735	30,000
2011	7,250	30,000
2012	5,862	25,000
2013	4,581	25,000
2014	3,288	25,000
2015	1,981	25,000
2016	<u>662</u>	<u>25,000</u>
	<u>\$ 67,212</u>	<u>\$ 275,000</u>

On October 9, 2002 the City sold \$815,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.25%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30.</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 21,925	\$ 60,000
2008	20,125	60,000
2009	18,235	60,000
2010	16,255	60,000
2011	14,185	60,000
2012	12,025	50,000
2013	10,150	50,000
2014	8,200	50,000
2015	6,200	50,000
2016	4,200	50,000
2017	<u>2,125</u>	<u>50,000</u>
	<u>\$139,625</u>	<u>\$ 600,000</u>

On January 6, 2002 the City sold \$725,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.65%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30.</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 23,060	\$ 60,000
2008	21,020	55,000
2009	19,095	55,000
2010	17,315	55,000
2011	15,025	50,000
2012	13,075	50,000
2013	11,075	50,000
2014	8,950	50,000
2015	6,825	50,000
2016	4,575	50,000
2017	<u>2,325</u>	<u>50,000</u>
	<u>\$142,340</u>	<u>\$ 575,000</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE F - Long-Term Debt (continued):Equipment Contracts:

On April 5, 2004 the City entered into a purchase agreement for a wheel loader for \$108,867. The purchase is being financed over a five year period. Annual payment of \$24,066 including interest is required beginning November 5, 2004. Interest is being charged at 4%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 2,672	\$ 21,394
2008	1,816	22,250
2009	928	23,139
	<u>\$ 5,416</u>	<u>\$ 66,783</u>

On November 15, 2004 the City entered into a purchase agreement for a man lift for \$45,395. The purchase is being financed over a five year period. Monthly payments of \$951.46 including interest are required beginning December 15, 2004. Interest is being charged at 4.75%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 1,209	\$ 8,157
2008	906	9,312
2009	453	9,765
2010	49	4,208
	<u>\$ 2,617</u>	<u>\$ 31,442</u>

Capital Lease Obligations:

On July 14, 2005 the City entered into a lease agreement acquiring a copier in the General Fund at a cost of \$2,850. The agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date on the Statement of Net Assets. The assets are depreciated over the useful life. Depreciation of these assets is included in depreciation expense on the Statement of Activities. The amount of accumulated depreciation on property held under capital leases at June 30, 2006 was \$570. Schedule of required interest and principal payments is as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 100	\$ 944
2008	40	1,004
2009		87
	<u>\$ 140</u>	<u>\$ 2,035</u>

The annual requirements to amortize all debt outstanding as of June 30, 2006, including interest payments are as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2007	\$ 197,977	\$ 250,495
2008	187,909	262,566
2009	177,657	262,991
2010	167,281	244,208
2011	157,218	240,000
2012-2016	619,040	1,340,000
2017-2021	297,379	1,145,000
2022-2024	41,272	575,000
	<u>\$1,845,633</u>	<u>\$4,320,260</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE G - Lease Obligation:

Effective January 1, 2006, the City entered into an agreement to lease facilities in Clarkston, Michigan at a total monthly rental of \$2,000.00, exclusive of maintenance and increases in taxes and insurance, which are also payable by the City as lessee. This is a five year lease set to expire December 31, 2010. For the year ended June 30, 2006, the City paid \$24,000.

The future minimum rental payments required are as follows:

<u>June 30,</u>	<u>Amount</u>
2007	\$24,000
2008	24,000
2009	24,000
2010	24,000
2011	12,000

NOTE H - Pending Litigation:

Litigation is currently pending against the City involving various issues. The outcome of these cases cannot be presently determined, however, it is not expected that an adverse decision would exceed insurance coverage. Accordingly, no provision has been made for any potential liability with regard to these lawsuits.

NOTE I - The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Liability and Property Pool for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of God and environmental cleanup losses. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Liability and Property Pool risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE J - Building Code Enforcement:

Public Act 245 of 1999 requires that fees generated from regulation of the construction code may only be used for that purpose. Current year revenues and expenditures are as follows:

Accumulated revenues over (under) expenditures - July 1, 2005		\$12,996
Revenue - fees	\$ 8,629	
Expenditures:		
Inspector fees	\$6,508	
Supplies	5,000	
Clerical	<u>620</u>	
Total expenditures	<u>12,128</u>	
Excess of revenues over expenditures		<u>(3,499)</u>
Accumulated revenues over expenditures - June 30, 2006		<u>\$ 9,497</u>

Accumulated revenues over expenditures at June 30, 2006 have been recorded as reserved fund balance.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE K - Segment Information for Enterprise Fund:

The City maintains one Enterprise Fund which provides sewer services. Segment Information for the year ended June 30, 2006 was as follows:

	<u>Sewer Fund</u>
Operating revenue	\$107,429
Operating income (loss)	(21,679)
Nonoperating revenue	4,128
Net income (loss)	(17,551)
Land, building, equipment:	
Depreciation	29,751
Net working capital	214,671
Total assets	473,933
Total equity	466,906

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current tax.	\$ 599,913	\$ 599,222	\$ 599,222	\$
Interest and penalty	1,200	2,770	1,777	(993)
	\$ 601,113	\$ 601,992	\$ 600,999	\$ (993)
Licenses and permits:				
Building	30,150	8,600	8,723	123
Cable T.V. franchise	10,000	10,000	10,349	349
	\$ 40,150	\$ 18,600	\$ 19,072	\$ 472
Federal sources:				
Community development block grant.	8,000	1,290	1,290	
State sources:				
State revenue sharing.	83,291	82,084	82,084	
Metro Authority.		2,560	2,560	
Liquor licenses.	1,550	1,560	1,560	
Other.	300	702	703	1
	\$ 85,141	\$ 86,906	\$ 86,907	\$ 1
Local sources:				
Other.	2,050	2,110	2,648	538
Charges for services:				
Reimbursement of expenses from other funds:				
Equipment rental - Major and Local Road Funds.			24,374	24,374
Police charges	14,000	17,200	16,586	(614)
	\$ 14,000	\$ 17,200	\$ 40,960	\$ 23,760
Fines and forfeitures - ordinance fines.	20,500	14,500	15,623	1,123
Interest and rents:				
Interest earnings.	400	4,365	4,365	
Rents.	3,000	3,400	3,600	200
	\$ 3,400	\$ 7,765	\$ 7,965	\$ 200
Other:				
Contributions.		1,350	13,667	12,317
Miscellaneous.	1,801	2,015	2,169	154
	\$ 1,801	\$ 3,365	\$ 15,836	\$ 12,471
Total revenues	\$ 776,155	\$ 753,728	\$ 791,300	\$ 37,572

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures:				
General government:				
Legislative:				
City council:				
Council salaries	\$ 7,000	\$ 7,000	\$ 6,875	\$ 125
Dues	2,500	2,215	2,215	
Other	9,500	8,960	8,956	4
	<u>\$ 19,000</u>	<u>\$ 18,175</u>	<u>\$ 18,046</u>	<u>\$ 129</u>
Elections:				
Fees	1,000	1,350	1,337	13
Supplies	1,000	2,850	2,846	4
Legal notices	500	160	198	(38)
	<u>\$ 2,500</u>	<u>\$ 4,360</u>	<u>\$ 4,381</u>	<u>\$ (21)</u>
Assessing	8,200	7,900	7,901	(1)
Board of review	375	375	375	
Clerk:				
Salary	2,500	2,500	2,479	21
Other	2,500	2,600	2,585	15
	<u>\$ 5,000</u>	<u>\$ 5,100</u>	<u>\$ 5,064</u>	<u>\$ 36</u>
Treasurer:				
Salary	11,500	11,500	11,500	
Supplies	500	700	679	21
Tax roll	750	300	422	(122)
	<u>\$ 12,750</u>	<u>\$ 12,500</u>	<u>\$ 12,601</u>	<u>\$ (101)</u>
City Hall and grounds:				
Wages	61,720	68,720	63,666	5,054
Office supplies	5,000	4,500	5,164	(664)
Supplies	7,000	7,700	7,116	584
Parking lot	3,000	3,600	3,594	6
Engineering	1,000	500	454	46
Telephone	2,200	2,200	2,079	121
Insurance	13,875	13,005	13,007	(2)
Utilities	3,712	4,515	4,880	(365)
Building maintenance	750	1,200	2,050	(850)
Equipment maintenance	500	1,350	1,063	287
Sidewalk maintenance	100	150	132	18
Miscellaneous	632	180	179	1
	<u>\$ 99,489</u>	<u>\$ 107,620</u>	<u>\$ 103,384</u>	<u>\$ 4,236</u>
Community development block grant	8,000	1,300	1,290	10

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Audit expense.	\$ 10,000	\$ 17,500	\$ 17,492	\$ 8
Legal fees	15,000	15,000	13,300	1,700
Miscellaneous.	100	250	510	(260)
	<u>\$ 25,100</u>	<u>\$ 32,750</u>	<u>\$ 31,302</u>	<u>\$ 1,448</u>
Total general government	\$ 180,414	\$ 190,080	\$ 184,344	\$ 5,736
Public safety:				
Police department:				
Salaries and wages	130,936	135,146	132,372	2,774
Payroll taxes.	11,517	11,200	11,159	41
Insurance and medical.	5,500	2,825	2,827	(2)
Supplies	2,000	1,600	1,528	72
Telephone.	5,500	6,000	6,061	(61)
Legal fees	10,000	6,000	5,415	585
Vehicle and equipment maintenance.	4,000	3,850	5,136	(1,286)
Contractual services	30,200	30,160	30,530	(370)
Gas and oil.	5,000	5,200	5,473	(273)
Insurance.	16,100	14,475	14,478	(3)
Dispatch	4,200	4,200	4,200	
Equipment rental	6,150	6,225	7,095	1,130
Miscellaneous.	1,120	695	1,016	(321)
	<u>\$ 232,223</u>	<u>\$ 229,576</u>	<u>\$ 227,290</u>	<u>\$ 2,286</u>
Fire protection.	153,545	148,570	152,096	(3,526)
Building inspector	30,000	7,625	12,128	(4,503)
Total public safety.	\$ 415,768	\$ 385,771	\$ 391,514	\$ (5,743)
Public works:				
Highway and streets:				
Gas and oil.	4,000	4,000	3,936	64
Maintenance and repair - vehicles.	6,250	6,500	6,005	495
Insurance - vehicles	3,600	3,225	3,228	(3)
	<u>\$ 13,850</u>	<u>\$ 13,725</u>	<u>\$ 13,169</u>	<u>\$ 556</u>
Street lighting.	16,625	17,375	17,355	20
Refuse collection.	675	675	675	
Tree trimming, tree planting and leaf pickup	4,500	765	762	3
Other public works activities:				
Sub-watershed expense.	5,000	7,700	7,657	43
DPW special events		3,325	3,422	(97)
Telephone.	1,500	1,000	853	147
Utilities.	4,500	5,000	4,703	297
Building supplies.	2,000	1,100	1,059	41
Building maintenance	1,500	4,100	4,305	(205)
	<u>\$ 14,500</u>	<u>\$ 22,225</u>	<u>\$ 21,999</u>	<u>\$ 226</u>
Total public works	\$ 50,150	\$ 56,765	\$ 55,960	\$ 805

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning	\$ 3,500	\$ 2,550	\$ 3,322	\$ (772)
Recreation and culture:				
Contractual services - Library	37,148	37,110	37,991	(881)
Other functions:				
Lease	24,000	24,000	24,000	
Payroll taxes	9,500	9,275	9,480	(205)
Workers compensation insurance	4,100	2,315	2,312	3
Youth assistance	1,000	1,000	1,000	
Total other	\$ 38,600	\$ 36,590	\$ 36,792	\$ (202)
Capital outlay:				
Election equipment			12,317	(12,317)
City hall and grounds	2,000	800	2,850	(2,050)
Highways and streets		460	458	2
Total capital outlay	\$ 2,000	\$ 1,260	\$ 15,625	\$ (14,365)
Debt service:				
Principal payments	34,283	34,283	29,890	4,393
Interest			5,350	(5,350)
Total debt service	\$ 34,283	\$ 34,283	\$ 35,240	\$ (957)
Total expenditures	\$ 761,863	\$ 744,409	\$ 760,788	\$ (16,379)
Excess of revenues over expenditures	\$ 14,292	\$ 9,319	\$ 30,512	\$ 21,193
Other financing sources (uses):				
Proceeds from borrowings			2,850	2,850
Transfer from construction fund			18,100	18,100
Transfer to Major Street Fund	(10,000)		(10,900)	(10,900)
Transfer to Local Street Fund			(13,100)	(13,100)
Total other financing sources (uses)	\$ (10,000)	\$	\$ (3,050)	\$ (3,050)
Excess of revenues and other sources over expenditures and other uses	\$ 4,292	\$ 9,319	\$ 27,462	\$ 18,143
Fund balance - July 1, 2005	39,110	39,110	39,110	
Fund balance - June 30, 2006	\$ 43,402	\$ 48,429	\$ 66,572	\$ 18,143

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 40,000	\$ 41,500	\$ 41,394	\$ (106)
Interest	200	750	816	66
Total revenues	\$ 40,200	\$ 42,250	\$ 42,210	\$ (40)
Expenditures:				
Salaries	25,000	22,000	21,315	685
Payroll taxes	2,300	1,685	1,473	212
Insurance		1,600	816	784
Tools and miscellaneous	2,000	2,200	1,676	524
Supplies	3,500	4,400	3,274	1,126
Traffic services	2,000	3,600	3,594	6
Equipment rental			8,684	(8,684)
Winter maintenance	3,430		12,257	(12,257)
Total expenditures	\$ 38,230	\$ 35,485	\$ 53,089	\$ (17,604)
Excess of revenues over (under) expenditures	\$ 1,970	\$ 6,765	\$ (10,879)	\$ (17,644)
Other financing sources (uses):				
Operating transfers in	8,225		10,900	10,900
Operating transfer out	(10,625)	(5,000)		5,000
Total other financing sources (uses)	\$ (2,400)	\$ (5,000)	\$ 10,900	\$ 15,900
Excess of revenues and other sources over (under) expenditures and other uses	\$ (430)	\$ 1,765	\$ 21	\$ (1,744)
Fund balance - July 1, 2005	4	4	4	
Fund balance - June 30, 2006	\$ (426)	\$ 1,769	\$ 25	\$ (1,744)

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 15,000	\$ 14,500	\$ 14,757	\$ 257
Interest	75	250	268	18
Total revenues	\$ 15,075	\$ 14,750	\$ 15,025	\$ 275
Expenditures:				
Salaries	15,000	12,000	11,478	522
Payroll taxes	1,600	925	779	146
Insurance		880	440	440
Tools and miscellaneous	2,000	1,730	1,114	616
Supplies	2,500	2,400	1,763	637
Traffic service	1,650	2,000	1,986	14
Equipment rental			5,509	(5,509)
Winter maintenance	2,500		5,067	(5,067)
Total expenditures	\$ 25,250	\$ 19,935	\$ 28,136	\$ (8,201)
Excess of revenues over (under) expenditures	\$ (10,175)	\$ (5,185)	\$ (13,111)	\$ (7,926)
Other financing sources:				
Operating transfers in	10,625	5,000	13,100	8,100
Excess of revenues and other sources over (under) expenditures	\$ 450	\$ (185)	\$ (11)	\$ 174
Fund balance - July 1, 2005	40	40	40	
Fund balance - June 30, 2006	\$ 490	\$ (145)	\$ 29	\$ 174

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OTHER SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 30,273	\$ 17,941	\$ 41,755	\$ 89,969
Due from other funds.		1,866	491	2,357
Due from other governments.			100,627	100,627
Total assets.	<u>\$ 30,273</u>	<u>\$ 19,807</u>	<u>\$ 142,873</u>	<u>\$ 192,953</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.	\$ 1,897	\$	\$	\$ 1,897
Due to other funds.			102,588	102,588
Total liabilities	\$ 1,897	\$	\$ 102,588	\$ 104,485
Fund balances:				
Reserved for:				
Debt service.		19,807		19,807
Unreserved.	28,376		40,285	68,661
Total fund balances	<u>\$ 28,376</u>	<u>\$ 19,807</u>	<u>\$ 40,285</u>	<u>\$ 88,469</u>
Total liabilities and fund balances . . .	<u>\$ 30,273</u>	<u>\$ 19,807</u>	<u>\$ 142,873</u>	<u>\$ 192,953</u>

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2008

	Mill Pond Lake Improvement Board	Total
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 30,273	\$ 30,273
	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.	\$ 1,897	\$ 1,897
Fund balances - unreserved.	28,376	28,376
	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 30,273	\$ 30,273
	<u> </u>	<u> </u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
June 30, 2006

	Debt Service Fund	2002A GO Debt Retirement Fund	2002B GO Debt Retirement Fund	2002C GO Debt Retirement Fund	Total
ASSETS					
Cash and cash equivalents	\$ 7,768	\$ 5,553	\$ 4,171	\$ 449	\$ 17,941
Due from other funds.		551	1,144	171	1,866
Total assets.	<u>\$ 7,768</u>	<u>\$ 6,104</u>	<u>\$ 5,315</u>	<u>\$ 620</u>	<u>\$ 19,807</u>
LIABILITIES AND FUND BALANCES					
Fund balances:					
Reserved for debt service	\$ 7,768	\$ 6,104	\$ 5,315	\$ 620	\$ 19,807
Total liabilities and fund balances . . .	<u>\$ 7,768</u>	<u>\$ 6,104</u>	<u>\$ 5,315</u>	<u>\$ 620</u>	<u>\$ 19,807</u>

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECT FUNDS
 June 30, 2006

	2003 Special Assessment Construction Fund	Total
ASSETS		
Cash and cash equivalents	\$ 41,755	\$ 41,755
Due from other funds.	491	491
Due from other governments.	100,627	100,627
Total assets.	<u>\$ 142,873</u>	<u>\$ 142,873</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds.	\$ 102,588	\$ 102,588
Fund balances - unreserved.	40,285	40,285
Total liabilities and fund balances	<u>\$ 142,873</u>	<u>\$ 142,873</u>

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 210,185	\$	\$ 210,185
Interest	900	1,344	1,064	3,308
Other	12,000		107,119	119,119
Total revenues	\$ 12,900	\$ 211,529	\$ 108,183	\$ 332,612
Expenditures:				
Current:				
Public works	7,284			7,284
Capital outlay			952	952
Debt service:				
Principal payments		60,000		60,000
Interest and fiscal charges		140,329		140,329
Total expenditures	\$ 7,284	\$ 200,329	\$ 952	\$ 208,565
Excess of revenues over expenditures	\$ 5,616	\$ 11,200	\$ 107,231	\$ 124,047
Other financing uses - Operating transfer out			(18,100)	(18,100)
Excess of revenues over expenditures and other uses	\$ 5,616	\$ 11,200	\$ 89,131	\$ 105,947
Fund balance - July 1, 2005	22,760	8,607	(48,848)	(17,479)
Fund balance - June 30, 2006	\$ 28,376	\$ 19,807	\$ 40,285	\$ 88,468

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2006

	Mill Pond Lake Improvement Board	Total
Revenues:		
Interest	\$ 900	\$ 900
Other - special assessments.	12,000	12,000
Total revenues	\$ 12,900	\$ 12,900
Expenditures:		
Current:		
Public works	7,284	7,284
Total expenditures	\$ 7,284	\$ 7,284
Excess of revenues over expenditures	\$ 5,616	\$ 5,616
Fund balance - July 1, 2005.	22,760	22,760
Fund balance - June 30, 2006	\$ 28,376	\$ 28,376

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2006

	Debt Service Fund	2002A GO Debt Retirement Fund	2002B GO Debt Retirement Fund	2002C GO Debt Retirement Fund	Total
Revenues:					
Taxes	\$ 59,034	\$ 61,908	\$ 69,991	\$ 19,252	\$ 210,185
Interest and penalties	580	318	347	99	1,344
Total revenues	\$ 59,614	\$ 62,226	\$ 70,338	\$ 19,351	\$ 211,529
Expenditures:					
Debt service:					
Principal payments	15,000	15,000	25,000	5,000	60,000
Interest and fiscal charges	42,597	45,406	49,260	9,066	140,329
Total expenditures	\$ 57,597	\$ 60,406	\$ 68,260	\$ 14,066	\$ 200,329
Excess of revenues over expenditures . .	\$ 2,017	\$ 1,820	\$ 2,078	\$ 5,285	\$ 11,200
Fund balance - July 1, 2005	6,751	4,284	3,237	(4,665)	6,607
Fund balance - June 30, 2006	\$ 7,768	\$ 6,104	\$ 5,315	\$ 620	\$ 19,807

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2006

	2003 Special Assessment Construction Fund	Total
Revenues:		
Interest	\$ 1,064	\$ 1,064
Other - reimbursements	107,119	107,119
Total revenues	\$ 108,183	\$ 108,183
Expenditures:		
Capital outlay	952	952
Excess of revenues over expenditures	\$ 107,231	\$ 107,231
Other financing uses - Operating transfer out.	(18,100)	(18,100)
Excess of revenues over expenditures and other uses	\$ 89,131	\$ 89,131
Fund balance - July 1, 2005.	(48,846)	(48,846)
Fund balance - June 30, 2006	\$ 40,285	\$ 40,285

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

August 15, 2006

To the City Council and Management of the
City of the Village of Clarkston

In planning and performing our audit of the general purpose financial statements of City of the Village of Clarkston for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect City of the Village of Clarkston's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

1. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. Expenditures exceeded budgeted amounts in the following areas:

<u>Fund</u>	<u>Activity</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variances</u>
General	Fire protection	\$ 148,570	\$ 152,096	\$ 3,526
General	Building inspection	7,625	12,128	4,503
General	Capital outlay	1,260	15,625	14,365
General	Operating transfers out		24,000	24,000
Major Road	Equipment rental		8,684	8,684
Major Road	Winter maintenance		12,257	12,257
Local Road	Equipment rental		5,509	5,509
Local Road	Winter maintenance		5,067	5,067

We urge the Council to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures which will exceed the budget, as required by the Budgeting Act.

Additionally, the Major and Local Road Fund budgets that were adopted were not balanced. This was due to a math error. We recommend that budgets be reviewed to insure accuracy.

Other General Comments and Recommendations:

1. Currently, the Sewer Department assesses a 5% penalty on sewer billings that are delinquent. No additional penalty is assessed. The current penalty structure does not provide an incentive for residents to pay their delinquent sewer bills after the 5% penalty has been assessed. As recommended last year, all penalty provisions of the city be reviewed to insure that they are structured to encourage timely payments to the City.

2. The Police Department currently receipts various miscellaneous revenues at the Police Station. To improve internal control we recommend that these revenues be receipted at City Hall (whenever possible). Duplicate information can then be forwarded to the Police Department.

3. The City should maintain individual employee files. These files should include withholding authorizations (W-4's), Form I-9, authorized pay rates, employment applications, write-ups of disciplinary actions, etc.

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,



Certified Public Accountants

J&K/srz